

Medicare Rx Update: April 19, 2006

Pharmacy Quality Alliance ... now a reality

Today, CMS Administrator Dr. Mark McClellan joined America's Health Insurance Plans (AHIP), the National Community Pharmacists Association (NCPA) and the National Association of Chain Drug Stores (NACDS) in officially announcing the Pharmacy Quality Alliance (PQA). As Dr. McClellan stated:

While the primary goal of the Pharmacy Quality Alliance will be to develop strategies for defining and measuring pharmacy performance, we also expect that this could lead to new pharmacy payment models for optimizing patient health outcomes... This is part of a key, fundamental strategy in Medicare and Medicaid. For 40 years, Medicare and Medicaid have focused on paying the bills, without really taking into account whether what we are buying makes beneficiaries' health care better. The result is that too often we focus on controlling costs only by reducing payment rates – rather than paying more for the best care. Focusing on spending health care dollars better, rather than just on reducing payment rates to reduce health care costs, deserves strong support from Medicare and we are going to make it happen... The establishment of the PQA is a great first step toward a pharmacy model that rewards real value delivered rather than just volume of prescriptions dispensed. (The full text of Dr. McClellan's remarks is attached)

... along with real progress on simple and consistent messaging to pharmacies

In addition to announcing the PQA, Dr. McClellan joined AHIP, NCPA and NACDS to highlight some real progress that has already been made through an unprecedented partnership between Plans and pharmacies. NACDS, NCPA, and AHIP have worked together over the past six weeks, along with the American Pharmacists Association (APhA) and the Pharmaceutical Care Management Association (PCMA), to simplify and standardize the electronic claims processing messages going from Medicare Part D drug sponsors to independent pharmacies and retail chains. The initial step in this effort was to provide pharmacists electronic message clarity regarding the coverage status of certain drugs.

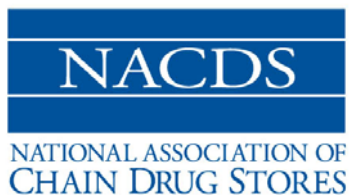
Dr. McClellan applauded this effort, saying “I want to be clear that Medicare now views these consistent messages as best practices for the drug benefit, and we expect the entire industry to adopt and implement these practices as soon as possible. CMS will be looking at these and other best practices as measurements of plan performance, we expect broad adoption in the weeks ahead, we expect these messages to become requirements with the adoption of these standards by NCPDP, and we will be monitoring whether we need to take further steps to make sure that happens.”

Click here for the joint press release: <http://www.ahip.org/content/default.aspx?docid=15886>
Documents on the messaging changes are attached.

Reminder...CMS is holding an Open Door Forum to discuss the Pharmacy Quality Alliance

On April 24, 2006 at 10 AM EST, CMS will host an open door forum that will focus on the PQA. Dr. McClellan will provide opening remarks and will be followed by stakeholders who will participate in a special Roundtable discussion on pharmacy quality measurement. An extended open phone Q&A period will follow. Please dial 1-800-837-1935, conference ID# 7210374, at least 15 minutes in advance of the call to participate. Those who did RSVP to attend in person will receive a follow-up e-mail this week. Beginning Monday, April 24, you will be able to find out more about joining in the efforts of the PQA by visiting www.PQAAlliance.org.

Sign up for the **PHARMACY_MMA-L** list to receive the Medicare Rx Update:
<http://www.cms.hhs.gov/apps/maillinglists/default.asp>



Standardized Additional Messages

April 10, 2006

To supplement established prescription drug reject codes, America's Health Insurance Plans (AHIP), the National Association of Chain Drug Stores (NACDS) and the National Community Pharmacists Association (NCPA) recommend the use of standardized additional messaging to provide additional information to assist pharmacists in taking further action. This messaging will also result in consistent use of key terms by Part D plans. The standardized additional messaging focuses on four critical areas: NDC Not Covered, Prior Authorization Required, Plan Limitation Exceeded and Pharmacy Not Contracted.

NDC Not Covered

Non-formulary medications: A standard message was developed to provide formulary alternatives to pharmacists in the event of a rejection due to non-formulary medications.

Prior Authorization Required

Prior authorization medications: A standard message was developed to provide Plan contact information to pharmacists to initiate the Plan's prior authorization requirements.

Plan Limitations Exceeded

Invalid quantity medications: A standard message was developed to inform pharmacists when the quantity prescribed exceeds the daily dose approved by the Plan.

Invalid day supply medications: A standard message was developed to inform pharmacists when the quantity prescribed exceeds the maximum number of days supply approved by the Plan.

Invalid time period medications: A standard message was developed to inform pharmacists when the quantity prescribed exceeds the maximum number of days approved by the Plan per given time period.

Invalid medications due to patient age: A standard message was developed to inform pharmacists when the drug being dispensed is contraindicated based on the member's age

Invalid medications due to patient gender: A standard message was developed to inform pharmacists when the drug being dispensed is contraindicated based on the member's gender

Pharmacy Not Contracted

Pharmacy not contracted in plan network (for specialty, home infusion, long-term care and 90 day supply claims): Standard messages were created to inform pharmacists when they cannot process claims because they are not contracted with a Plan's pharmacy network. Information is provided on how pharmacists can become contracted in the Plan's pharmacy network.

New Reject Codes

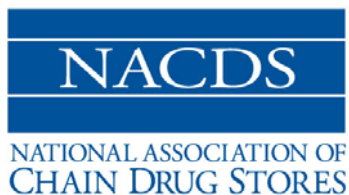
AHIP, NACDS and NCPA have also worked with National Council of Prescription Drug Programs (NCPDP) to develop 2 new reject codes that will be returned in the message field to supplement the reject code of "NDC Not Covered." These messages are designed to help the pharmacist better understand why the medication is not covered and what additional action to take in order to service the customer without the necessity of time-consuming phone calls.

Reject Code A5: "Not Covered Under Part D by Law"

This reject message would be used for drugs/products which are excluded from coverage under basic Medicare Part D benefits as mandated by the Medicare Modernization Act (MMA)

Reject Code A6: "This medication may be covered under Part B and therefore cannot be covered under the Part D basic benefit for this beneficiary"

This reject message would be used for drugs/products when Medicare Part B is most likely the source for payment.



April 18, 2006

The Honorable Mark McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building, Room 314-G
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Dr. McClellan:

On behalf of America's Health Insurance Plans (AHIP), the National Association of Chain Drug Stores (NACDS), and the National Community Pharmacists Association (NCPA), we are writing to notify you that we have reached an agreement on standardized electronic messaging to assist pharmacists and better serve beneficiaries when they have prescriptions filled at a pharmacy.

Specifically, we have developed standardized electronic messages to help pharmacists quickly determine the appropriate course of action for filling beneficiaries' prescriptions under four different circumstances: (1) when a particular drug is not covered; (2) when prior authorization is required; (3) when plan quantity or other coverage limitations have been exceeded; and (4) when the pharmacy is not part of the Part D plan's network. These standardized messages are more fully described in the attached materials. Our agreement on this messaging will result in the consistent use of key terms by Part D plans and thus allow pharmacists to more quickly address issues at the pharmacy counter.

We are encouraging the National Council for Prescription Drug Programs (NCPDP) to endorse this work and would urge CMS to join us in this request. As you know, the NCPDP previously adopted our recommendation to develop new codes to notify pharmacists when drugs are statutorily excluded from Part D basic benefits or are covered under Part B.

Our objective in this endeavor is to allow beneficiaries to have their prescriptions filled quickly and effectively. We look forward to continuing to work with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Ignagni".

Karen Ignagni
President and CEO
AHIP

A handwritten signature in black ink, appearing to read "Robert M. Hannan".

Robert Hannan
Interim President and CEO
NACDS

A handwritten signature in black ink, appearing to read "Bruce Roberts".

Bruce Roberts, R.Ph.
Executive Vice President and CEO
NCPA

Enclosure

**Remarks by Mark B. McClellan
PQA Press event
April 19, 2006**

I'd like to thank Karen Ignagni, Bruce Roberts and Bob Hannan, and their association members, for the important and unprecedented achievement they are announcing today. I would also like to thank Larry Kocot, my pharmacy point man, for his outstanding efforts. We are going to see an unprecedented degree of consistency in the messages related to filling prescriptions that pharmacists get through their computers. Pharmacists and pharmacies have demonstrated how important they are to the implementation of the Medicare drug benefit. They have been tremendous and we're please to support this critical collaborative effort.

This may sound a bit technical, but it's an unprecedented step that can add up to a significant reduction in the cost and time and effort for pharmacists across the country to fill physicians. This is how you make our health care system work better, faster, cheaper and easier. This consensus agreement on new message coding protocols will make transaction processing more streamlined and efficient which will save time and prevent phone calls and delays between plans and pharmacists. This is important for the Medicare drug plans, but the benefits potentially extend throughout our health care system, in which pharmacists have long been dealing with many public and private plans every day as they help their patients get the drugs they need.

I want to be clear that Medicare now views these consistent messages as best practices for the drug benefit, and we expect the entire industry to adopt and implement these practices as soon as possible. CMS will be looking at these and other best practices as measurements of plan

performance, we expect broad adoption in the weeks ahead, we expect these messages to become requirements with the adoption of these standards by NCPDP, and we will be monitoring whether we need to take further steps to make sure that happens.

This is a great precedent that will likely lead to additional standards and messaging, adding further to the benefits of the electronic health care systems in pharmacies that are already reducing costs and improving quality and now have the potential to do even more. This will yield even greater efficiencies for pharmacies, plans, physicians and others, which will ultimately result in a higher level of satisfaction for Medicare beneficiaries.

But we are not stopping with this step. This collaboration has gone so well, that the groups with us today... all of which are key players in the delivery of health care benefits to both Medicare and Medicaid patients, as well as all Americans... have decided to take another unprecedented step, really a historic step, in their partnership for greater quality in the delivery of health benefits.

I am very pleased to announce the establishment of the Pharmacy Quality Alliance. Similar to the Ambulatory Care Quality Alliance that we worked with health plans and health professionals and other stakeholders to establish, the mission of the Pharmacy Quality Alliance will be to improve health care quality and patient safety, and to reduce overall health care costs. The PQA will use a collaborative process in which key stakeholders agree on a strategy for measuring performance at the pharmacy level; collecting data in the least burdensome way; and reporting meaningful information to consumers, plans, providers and other stakeholders to inform choices and improve health outcomes. While the

primary goal of the Pharmacy Quality Alliance will be to develop strategies for defining and measuring pharmacy performance, we also expect that this could lead to new pharmacy payment models for optimizing patient health outcomes. And at Medicare, we are very interested in supporting the testing and development of those models.

Thanks to the Ambulatory Care Quality Alliance and the leadership and hard work of the health plans and many physician organizations, we've made considerable progress creating consensus around meaningful measures of the quality of physician care. We believe that through the Pharmacy Quality Alliance, we can make similar breakthrough progress in the development of pharmacy care quality measures, and in the development of better support for high-quality pharmacy care.

Paying more for higher quality and less costly care is a critical priority for CMS: just as providing high quality care and avoiding preventable complications and costs is a high priority for the nation's health professionals. Pharmacists and other health professionals want to do everything in their power to get the best care to their patients. When we provide consumers with better information about quality, and when we provide more financial support for better quality and lower costs, we enable health professionals to get the resources to do what they do best.

This is part of a key, fundamental strategy in Medicare and Medicaid. For 40 years, Medicare and Medicaid have focused on paying the bills, without really taking into account whether what we are buying makes beneficiaries' health care better. The result is that too often we focus on controlling costs only by reducing payment rates – rather than paying more for the best care. Focusing on spending health care

dollars better, rather than just on reducing payment rates to reduce health care costs, deserves strong support from Medicare and we are going to make it happen.

Pharmacists and pharmacies have already demonstrated the great value they provide in the implementation of the Medicare drug benefit. They have also shown they can add much more – helping people find lower cost drugs like generics, helping people with multiple illnesses understand how to use their medications, improving compliance... All of these things can improve quality of care and reduce overall health care costs. This helps us get to a health care system that provides the right care for every person every time.

Pharmacists have more to offer to improve quality and reduce costs in our overall health care system, but that may require changes in the way pharmacy care is financed and delivered. The establishment of the PQA is an important step toward a pharmacy business model that rewards real value delivered rather than just volume of prescriptions dispensed.

I am confident that through the collaborative efforts of stakeholders in the health care enterprise and initiatives such as the Pharmacy Quality Alliance, we can promote pharmacy quality as an essential element of a health care system that delivers high value benefits while avoiding costly errors, and one that helps our health care system innovate and stay affordable.